

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JESSAMINE-SOUTH)
ELKHORN WATER DISTRICT TO)
ISSUE SECURITIES IN THE APPROXIMATE)
PRINCIPAL AMOUNT OF \$1,715,000 FOR THE) CASE NO. 2012-00067
PURPOSE OF REFUNDING CERTAIN)
OUTSTANDING REVENUE BONDS OF THE)
DISTRICT PURSUANT TO THE PROVISIONS OF)
KRS 278.300 AND 807 KAR 5:001)

ORDER

On March 9, 2012, Jessamine-South Elkhorn Water District ("Jessamine District") applied to the Commission for approval to enter into a loan agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$1,715,000 to refinance existing long-term debt.¹

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Jessamine District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to approximately 2,654 customers in Jessamine County, Kentucky.²
2. Jessamine District proposes to execute an Assistance Agreement with the KRWFC to borrow \$1,715,000, subject to adjustment of up to 10 percent. The

¹ Jessamine District tendered its Application on February 29, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On March 9, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

² *Report of Jessamine-South Elkhorn Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2010* (hereinafter "Annual Report") at 5 and 27.

proposed loan will have a 27-year term with interest rates that vary from 2.30 percent to 4.2 percent per annum.³

3. Jessamine District proposes to use the proceeds from the loan agreement to refund the outstanding revenue bonds designated as Jessamine-South Elkhorn Water District Water System Revenue Bonds, Series 2000B (“2000 Bonds”).⁴

4. Approximately \$1,661,000 of the Series 2000 Bonds remains outstanding. These bonds bear interest at a rate of 5.25 percent per annum and are held by Rural Development.⁵

5. Jessamine District will expend \$1,744,051 to refund the outstanding bonds and to pay bond issuance costs.⁶

6. Jessamine District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$278,932 and \$253,172, respectively.⁷

7. Jessamine District’s proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Jessamine District’s ability to perform that service, and is reasonably necessary and appropriate for such purpose.

³ Application, App. A.

⁴ See Case No. 99-287 *The Application of Jessamine-South Elkhorn Water District for Approval to Proceed with Project Construction Primarily Financed by U.S. Department of Agriculture and the U.S. Department of Housing and Urban Development and To Change Rates in Conjunction with Such Project* (Ky. PSC July 29, 1999) (authorizing bond issuance).

⁵ Rural Development is an agency of the U.S. Department of Agriculture.

⁶ Application, Exhibit B. \$4,087 (Original Issue Discount) + \$25,725 (Total Underwriter’s Discount) + \$25,725 (Cost of Issuance) + \$1,685,223 (Deposit to Current Refunding Fund) + \$3,291 (Rounding Amount) = \$1,744,051. The sources of these funds are: Par Amount of Bonds (\$1,715,000) + Prior Issue Debt Service Funds (\$29,051) = \$1,744,051.

⁷ Application, Exhibit C.

IT IS THEREFORE ORDERED that:

1. Jessamine District is authorized to enter into an agreement with KRWFC to borrow no more than \$1,886,500⁸ for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its application, Jessamine District shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

3. Within 30 days of executing the proposed agreement, Jessamine District shall file a written statement with the Commission setting forth the date on which the agreement was entered, the actual interest rates, and the principal amount.

4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in Jessamine District's application.

5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

⁸ $\$1,715,000 \times 110\% = \$1,886,500.$

By the Commission

ENTERED *GA*
MAR 22 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2012-00067

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